KEYINVEST
ESTABLISHED 1878

ANNUAL REPORT 2019/20

About KEYINVEST

KeyInvest is a licensed Friendly Society regulated by the Australian Prudential Regulation Authority (APRA) with total benefit fund assets under management in excess of $225m at 30 June 2020.

KeyInvest provides financial services and retirement services founded on a long and proud history of caring for the welfare of our members.

KeyInvest originated in 1878 as the Independent Order of Odd Fellows South Australia (IOOFSA), and continues today as a member based Friendly Society providing a range of services to assist customers achieve their financial and retirement goals.

KeyInvest maintains this tradition with a focus on "life's key investments" specialising in investment bonds and property.

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CHAIRMAN'S REPORT

I am pleased to share with you the developments that have continued to shape KeyInvest in the FY20 financial year.

This year will be remembered as possibly the most extraordinary and challenging year in living memory.

For KeyInvest it has been a year in which considerable transformation and restructuring has taken place. The COVID-19 pandemic gave rise to significant economic and financial market disruption which added to the challenges of implementing this transformation and restructuring of our business.

In a continuation of its previously announced pre-pandemic easing cycle, the Reserve Bank of Australia (RBA) lowered cash rates through two 25 basis point reductions so that by October 2019 we had reached a new historic low of 0.75%. These monetary policy initiatives were intended by the RBA to offset the weaker global growth outlook and to help absorb spare economic capacity. This was seen as an impediment to achieving its inflation and employment targets for the domestic economy, and it appeared this would be the end of the RBA's easing cycle. However, what was to follow in early 2020 dramatically changed the landscape.

As the coronavirus began spreading globally, the immediate impacts were on travel and education sectors followed by hospitality. Then came the impact of increasingly stringent lockdown measures, which abruptly interrupted the broader domestic and global economies and solicited a co-ordinated, massive monetary and fiscal response from the RBA and Government.

A further 50 basis points were cut from the cash rate during March 2020 to achieve a new low of 0.25%. The RBA also implemented the first tranche of $90 billion towards what has become a three year $200 billion term funding facility for ADI's to support small business lending. This was coupled with secondary market Government bond purchases to stabilise markets, support liquidity and keep yields low across the curve. The Federal Government announced increases to JobSeeker, the new JobKeeper program and a raft of other subsidies and income support measures to help soften the unfolding severe economic contraction.

For several years we have highlighted to members the difficulties that ultra-low interest rate policies are imposing on savers. This also translates to available yields on the high quality, low risk financial assets that we must invest in to support our capital guaranteed benefit funds. This year, the income achieved in our funds has been further supressed by even lower cash rates, exacerbated by the COVID-19 related RBA market interventions designed to lower yields and the associated financial market turmoil, which returned credit spreads to extremes not witnessed since the global financial crisis. For these reasons, the bonuses declared on our capital guaranteed products continue to be suppressed and will remain so for as long as market interventions and ultra-low interest rate policies are maintained.

Throughout these challenging times, KeyInvest continued to act decisively and strategically.

Early in FY20 we made the strategic decision to negotiate and execute the sale of five of our seven retirement villages. The settlement of these transactions occurred in March 2020 and May 2020, and reduced our exposure to property, and in particular the retirement village sector. More so, it improved liquidity and capital adequacy, and helped to reposition KeyInvest with greater capacity and flexibility to pursue opportunities to grow its Financial Services products and services.

On 23 June 2020, KeyInvest held a Special General Meeting to adopt a new constitution to reflect the formal separation of KeyInvest's fraternal association from the corporate entity, and to adopt the recently legislated Mutual Capital Instruments reforms. The Board considers these initiatives have the potential to significantly benefit the company over the long-term.

Within our Financial Services business, our two actively promoted products, the Life Events Bond, and our largest capital guaranteed fund, the KeyInvest Funeral Bond, continued their growth during FY20 - the Life Events Bond achieved over 40% growth. After allowing for run-off from our closed and legacy funds, and the COVID-19 related market value effects, our overall Funds Under Management (FUM) achieved 5% growth - still pleasing in a tough year. Three new unitised funds were added to the KeyInvest Funeral Bond product structure in March 2020 and are already generating inflows and support from financial advisers who are seeking greater investment choice and control for their clients.

We continue to manage and optimise our commercial properties for long-term value and cashflow. During FY20 we outsourced the management of these properties and we are already seeing pleasing results from this decision.

KeyInvest's FY20 financial performance in Retirement Services was impacted by the sale of the five villages (328 homes) in the third quarter of the year. Whilst settlements and revenues were down on the previous year, the COVID-19 impacts may have limited revenues to the levels achieved even if we had held on to the assets for the whole year. We also chose to suspend further building at our remaining two retirement village developments until we can assess demand levels in the post COVID-19 market.

KeyInvest further improved its already strong regulatory capital position in FY20 and enjoys a positive and open relationship with its regulator, APRA. We are focussed on maintaining flexibility and capacity to support our capital guaranteed benefit funds in the event of future stressed investment market conditions.

CHAIRMAN'S REPORT

OUR STRATEGY

The KeyInvest Strategic Business Plan focusses on the growth of our business through the pursuit of strategic initiatives designed to optimise long-term return on capital, to build our financial strength to serve our members and clients. These initiatives include:

Financial Services - Continue to evolve and refresh the existing products to increase market appeal, deliver improved product features and enhance on-line delivery via distribution partners to grow overall FUM levels while exploring alternate financial products with higher yield and investor returns to broaden our market reach and investor demographic.

Property and Retirement Services - Optimise and position our commercial properties for long-term value growth and return on investment. Develop small scale commercial and/or residential properties to achieve increased returns and leverage existing resources. Deliver a desirable independent retirement living experience at the villages we operate and develop with a focus on reduced capital, holding and operating costs to optimise revenues and capital usage.

OUR FINANCIAL PERFORMANCE

KeyInvest's capital position, as measured under APRA's Prudential Standards, for the capital guaranteed funds and the Management Fund remains sound. In an environment of emerging pressures from ultra-low interest rates, and market stresses emanating from the COVID-19 pandemic, we will continue to consolidate and re-position the business as required to sustain the capital position in the long-term.

Our consolidated entity financial results for FY20 reflect the losses against book values for the retirement village asset divestments and valuation write downs. Our after tax consolidated result was a (loss) of $(5,290,184) (FY19: $1,161,949).

Revenues from retirement village deferred management fees and development margins in FY20 were lower due to divestments part way through the year at $1,435,033 (FY19: $2,546,285).

Our investment bond FUM increased to over $225m (FY19: $214m) but large equity market falls in FY20 (gains in FY19) which affect many of the Life Events Bond Funds together with multiple RBA cash rate cuts and yield curve interventions had the effect of reducing income within our benefit funds.

OUR BUSINESS

Financial Services

KeyInvest offers long-term financial and investment solutions through its investment bond products that provide members with tax, social security and estate planning benefits.

Our largest capital guaranteed investment, the KeyInvest Funeral Bond, now includes three unitised low cost funds which ensures its ongoing popularity with financial advisers who utilise its estate planning advantages and significant aged pension assets test concessions for their clients.

The Life Events Bond is a unitised product delivering a competitive and low cost menu of 27 investment choices, with access to some of Australia's and the world's finest investment managers. It offers a flexible, tax effective alternative to superannuation that can be accessed before retirement or utilised as a long-term investment vehicle for specific goals such as funding children's education or other major life events.

We continue to work on exciting new product features and investment menu updates, which we look forward to sharing with members during FY21.

Property and Retirement Services

KeyInvest operates two commercial Investment Properties, one in the Adelaide CBD and the other in the desirable inner suburb of Norwood. KeyInvest also has 63 completed homes across two retirement village sites currently under development, Chiton near Victor Harbor in regional South Australia and Wimmera Lodge in Horsham, regional Victoria. KeyInvest retirement villages all have community facilities and all have their own unique characteristics in keeping with the local area and serving the requirements of the discerning retiree.

In closing, I would like to thank my fellow Directors, the Executive Management team and staff, for their hard work during FY20, and I look forward to sharing further developments with members next year.

I also sincerely thank members, clients and business partners for their ongoing support of our products and services in these challenging times.

Yours sincerely

Dr Roger N Sexton AM
Chairman

CORPORATE GOVERNANCE STATEMENT

KeyInvest places great importance on its corporate governance framework. The Board regularly reviews and refines its corporate governance policies to ensure systems are in place to encourage and deliver sustainable and profitable financial performance with long-term growth of members' funds.

The Board - Roles and Responsibilities

The Board is responsible for the Group's[1] overall strategy, governance and performance. Under the Corporate Governance Policy, the Board has adopted a schedule of its roles and responsibilities as documented within its charter. Broadly, the Board's role includes:

- reviewing and approving the objectives and strategic direction of the Group;
- setting the Group's risk appetite and ensuring the Group's risk culture is consistent with the approved risk appetite;
- ensuring the Group's business continuity framework is appropriate for the nature and scale of the Group's operations and consistent with the Group's Risk Management Strategy;
- reviewing and approving the Group's statutory and regulatory accounts;
- adopting the annual budgets of the Company[2] and each of its wholly owned subsidiaries;
- approving significant business decisions of the Group;
- understanding the Group's business and the industries and environments within which it operates to effectively oversee the risk management and strategic direction of the Group;
- monitoring the achievement of all objectives and the performance of the Group;
- reviewing marketing and communication strategies for the Group;
- maintaining an adequate level and quality of capital commensurate with the scale, nature and complexity of the Group's business and risk profile;
- monitoring the adequacy and effectiveness of internal controls implemented by the Company; and
- appointing and reviewing the performance of the Company's CEO.

The Corporate Governance Policy also details the roles and responsibilities of the Board's Committees.

The Group's key operating controlled entities each have separate Boards which are responsible for overseeing the strategy, governance and performance of those entities.

The Board has put in place a formal delegation structure that details specific authorities delegated to its Board Committees, the CEO, Management and those authorities specifically retained by the Board.

Role of the CEO

The Board has specifically delegated responsibility for the day to day management of the Company, its performance and the achievement of all agreed objectives of the Company to the CEO. The CEO is responsible for operational risk management and ensuring compliance with all policies and procedures of the Company.

Role of the Chairman

The Chairman is responsible for leading the Board and facilitating effective discussions at Board meetings. The Chairman also has delegated responsibility and authority from the Board to conduct annual individual performance assessments of all Non Executive Directors.

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[1] Group means KeyInvest Ltd and its controlled entities.

[2] Company means KeyInvest Ltd ABN 74 087 649 474.

CORPORATE GOVERNANCE STATEMENT

Board Size and Composition

In accordance with the Australian Prudential Regulation Authority's (APRA) *Prudential Standard CPS 510 Governance* and the Company's Constitution, the Board:

- comprises a majority of independent Non Executive Directors;
- is chaired by an independent Non Executive Director;
- has a minimum of five Directors; and
- has an appropriate mix of skills, experience and personal attributes which allow the Directors individually, and the Board collectively, to discharge their role and responsibilities.

In accordance with APRA's *Prudential Standard CPS 520 Fit and Proper* the Board membership must comprise Directors with appropriate skills, experience and knowledge, who act with honesty and integrity. That is, they are considered to be fit and proper.

The current membership of the Board is set out in the Directors' Report and comprises six independent Non Executive Directors.

Board Renewal and Succession Planning

The Company's Constitution requires at least one Director to retire at the end of each Annual General Meeting. Retiring Directors may offer themselves for re-election.

The Board has established a Board Renewal Plan that sets out how the Board intends to progressively and systematically renew its membership. A particular focus of the Board is to preserve continuity and have an appropriate pool of skills and experience, whilst achieving an orderly succession of the Board's long serving members.

The Board has determined that Ms Donny Walford and Mr Marcus La Vincente will retire by rotation at the upcoming 2020 Annual General Meeting. Ms Walford and Mr La Vincente will offer themselves for re-election at that meeting. Further information on Ms Walford and Mr La Vincente is available in the Explanatory Memorandum contained within the Notice of Annual General Meeting.

Board and CEO Performance Evaluation

The Board must ensure that the Directors and Senior Management of the Group, collectively, have the full range of skills needed for the effective and prudent operation of the Group. This includes the requirement for Directors, collectively, to have the necessary skills, knowledge and experience to understand the risks of the Group, including its legal and prudential obligations and to ensure that the Group is managed in an appropriate way.

The Board and CEO Performance Evaluation Procedures assess the performance of Non Executive Directors and the CEO relative to their respective objectives and their contribution to Board deliberations and processes.

The Remuneration and Nomination Committee, together with the Chairman, is responsible for evaluating the Board's performance and each Director's individual performance including that of the Chairman and CEO. A Non Executive Director performance review is conducted with respect to each financial year.

Training and Development

A Director Induction Program is carried out for all new Non Executive Directors to ensure they are suitably equipped with information for their role and are aware of the governance environment within which the Group operates.

Directors are required to meet minimum standards of involvement in training and development programs in order to enhance their knowledge of the industries within which the Group operates.

Board Practices

The Board holds regular meetings to receive reports on the Group's progress and to review both the Group's operating performance and monitor the effectiveness of established strategies. The Board may meet on other occasions, as required, and the independent Non Executive Directors meet frequently in the absence of the CEO and Executive Management. In addition, corporate strategy meetings are held to assess and determine the strategic direction of the Group.

CORPORATE GOVERNANCE STATEMENT

Details of the number of meetings held by the Board and its Committees during the 2019/20 financial year and attendance by Directors are set out in the Directors' Report.

The Board is entitled to seek independent professional advice at the Company's expense in respect of specific issues that arise from time to time.

Risk Management

KeyInvest considers risk management to be a fundamental part of the achievement of its strategic and operational objectives. The Group maintains a strong risk culture that ensures the key risks inherent in the business are well understood, formally documented and managed.

The Company is required under APRA *Prudential Standard CPS 220 Risk Management* to maintain a risk management framework and strategy that is appropriate to the nature and scale of its operations. An annual risk management declaration is provided to APRA which is signed by the Chairman of the Board and the Chairman of the Board Risk Committee. The Company's Appointed Actuary is also required to submit an assessment on the suitability of the risk management practices of the business as part of an annual Financial Condition Report which is provided to APRA.

In accordance with APRA *Prudential Standard LPS 110 Capital Adequacy*, the Company has documented its Internal Capital Adequacy Assessment Process (ICAAP) and implements the requirements of the Standard within its risk management framework.

Overall, the Board is responsible for the Group's risk management framework and oversees the implementation of systems, processes, structures and policies designed to identify, assess, mitigate and monitor risks of the Group. The active identification of risks and implementation of mitigation measures are responsibilities of Senior Management. The Board has adopted a Risk Management Strategy that defines the responsibilities of the Board, Board Audit Committee, Board Risk Committee, other Board Committees, the CEO, Group Chief Risk Officer (Group CRO), Senior Managers and staff.

The Group's risk registers, risk management practices and risk and compliance policies are progressively reviewed and updated during the year.

The internal audit function has full and free access to the Board Audit Committee and the Chairman of the Board.

Board Committees

To assist the Board in discharging its role and responsibilities it maintains five Board Committees.

Each Committee operates in accordance with a written charter and it is the policy of the Board that a majority of the members of each Committee should be independent. Information on the Directors and their Committee memberships can be found in the Directors' Report. The role and function of each Committee is reviewed annually by the Board.

The Committees of the Board are:

<u>Corporate Governance Committee</u>

The Corporate Governance Committee has been established to advise on the Group's corporate governance policies and procedures and to oversee the maintenance of the Company's Benefit Fund Rules.

In particular, the Committee is responsible for ensuring the Company's compliance with APRA's *Prudential Standard CPS 510 Governance.*

<u>Remuneration and Nomination Committee</u>

In accordance with APRA's *Prudential Standard CPS 510 Governance* this Committee comprises a minimum of three Non Executive Directors, with a majority of the members of the Committee being independent.

The Remuneration and Nomination Committee has been established to review and make recommendations to the Board on remuneration and incentives applicable to the Directors and Senior Management of the Group in accordance with APRA's *Prudential Standard CPS 510 Governance* and the Group's Remuneration Policy.

This Committee is also responsible for making recommendations regarding nominations and appointments of Directors, the fitness and propriety of Directors, Senior Management, the External Auditor, the Internal Auditor and the Actuary, in accordance with APRA's *Prudential Standard CPS 520 Fit and Proper*.

Board Audit Committee

In accordance with APRA's *Prudential Standard CPS 510 Governance* this Committee comprises a minimum of three Non Executive Directors, with a majority of the members of the Committee being independent.

The primary function of the Board Audit Committee is to assist the Board in fulfilling its responsibilities by providing an objective non-executive review of the effectiveness of the Group's financial reporting and financial risk management framework, including:

- Financial Statements and financial reporting;
- any changes in financial reporting requirements and professional accounting requirements and standards, and advising or making recommendations to the Board;
- the scope of internal and external audit plans;
- the performance and independence of internal and external auditors; and
- the appointment and removal of the External Auditor and Internal Auditor.

Board Risk Committee

In accordance with APRA's *Prudential Standard CPS 510 Governance* this Committee comprises a minimum of three Non Executive Directors, with a majority of the members of the Committee being independent.

The primary function of the Board Risk Committee is to assist the Board in fulfilling its responsibilities by providing an objective non-executive oversight of the implementation and operation of the Group's risk management and compliance framework, including:

- reviewing and monitoring the risk culture, identifying any desired changes to it, setting the tone, and providing an environment where sound risk culture is established and maintained;
- advising the Board in relation to the Group's current and future risk appetite and Risk Management Strategy;
- establishing an enterprise-wide view of the Group's current and future risk position relative to its risk appetite and capital strength;
- overseeing Senior Management's implementation of the Risk Management Strategy;
- overseeing the effectiveness of the risk management framework including compliance and internal controls;
- constructively challenging Senior Management's proposals and decisions on all aspects of risk management arising from the Group's activities;
- making recommendations on the appointment and removal of the Group's Appointed Actuary;
- reviewing the performance and setting the objectives of the Group CRO, and ensuring the Group CRO has unfettered access to the Board and the Board Risk Committee; and
- oversight of the appointment and removal of the Group CRO.

Finance and Investment Committee

The Finance and Investment Committee has been established to advise the Board on the financial activities, investment policies and activities of the Group.

In particular, this Committee is responsible for reviewing and recommending for approval to the Board:

- the annual budget of the Company and each of its wholly owned subsidiaries;
- the bonus rates to be declared on capital guaranteed investment bonds;
- the financial viability of major projects; and
- the long-term financial positioning and investment strategies of the Group.

FINANCIAL REPORT

These financial statements are the consolidated financial statements of the consolidated entity consisting of KeyInvest Ltd ('company' or 'parent entity') and its subsidiaries.

The financial statements are presented in Australian currency.

KeyInvest Ltd is a company limited by shares and guarantee, however no shares have been issued. The company is incorporated and domiciled in Australia. Its registered office and principal place of business is:

49 Gawler Place, Adelaide, South Australia 5000

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 28 September 2020. The directors have the power to amend and reissue the financial statements.

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DIRECTORS' REPORT

The Directors of KeyInvest Ltd ('company' or 'parent entity') present their report, together with the financial statements of the consolidated entity, being the company and its subsidiary entities, for the year ended 30 June 2020.

Principal Activities

The consolidated entity's principal activities during the financial year were the provision of financial services and products to members and the management of commercial properties and retirement villages.

Objectives

The consolidated entity's objectives for FY20 were:

- Provide competitive financial products for members and pursue opportunities to broaden our financial services product offering.
- Maintain a strong capital and liquidity position to support our capital guaranteed bondholders in a low and volatile fixed interest return environment.
- Maintain strong corporate governance structures and risk and compliance frameworks to ensure the consolidated entity's legal, legislative and regulatory obligations are met.
- Continue to grow our funds under management.
- Review our portfolio of investments in property and the retirement village sector.

The consolidated entity's long-term objectives include:

- Maintaining a strong capital position for the benefit of members.
- Growing and expanding the Financial Services business.
- Optimising returns from the commercial property portfolio and retirement village developments.

KeyInvest continues to pursue the development of enhanced financial products and services, improved operational and sales management systems, growing distribution channels via targeted marketing campaigns and the ongoing development of skilled professionals to deliver the strategies that underpin the Group's strategic objectives.

Review of the Consolidated Entity's Operations and Results

The members' entitlement to the consolidated entity's net profit (loss) from ordinary activities after income tax for FY20 was $(5,290,184) (2019: $(1,161,949)).

Operating revenue of the consolidated entity for FY20 was $7,631,580 (2019: $10,237,610).

The total comprehensive income (loss) for FY20 was $(5,290,184) (2019: $(1,161,949)).

The net assets of the consolidated entity as at 30 June 2020 decreased to $27,643,347 (2019: $32,933,531).

An overview of the consolidated entity's operations is also set out in the Chairman's Report.

Financial Services

Members' funds under management as at the end of the financial year achieved growth of over 5% to $225,604,876 (2019: $214,159,353).

New members in the KeyInvest Funeral Bond have greater investment choice and opportunity for growth in their investments after the addition of three unitised funds within the product structure during FY20.

KeyInvest's capital guaranteed life investment funds faced extremely challenging market conditions as fixed income yields continued to fall during FY20 following the RBA cash rate reductions, which was further exacerbated by extreme market volatility due to the effects of the global COVID-19 pandemic.

This year's low bonuses reflect the ultra-low available market yields and subsequent COVID-19 related volatility that eroded the already reduced earnings. It is anticipated that bonuses will remain very low in the near term as the ultra-low interest rate environment persists, and the requirement to maintain strong capital adequacy within the capital guaranteed funds.

The fall in investment revenue reflected the lower interest rate environment and the impact of COVID-19 on financial markets, particularly the equities markets which affect many of the Life Events Bond Funds. Investment markets have since undergone a significant recovery that, if sustained, should be reflected in next year's results.

DIRECTORS' REPORT

Property and Retirement Services

In FY20, the consolidated entity divested five retirement villages, representing 328 homes. The divestments reduced exposure to property and released significant capital, which has been applied to eliminate borrowings, improve liquidity and provide flexibility to grow KeyInvest's financial services business.

The consolidated entity continues to manage two commercial properties providing office accommodation and two retirement villages. In FY20 the consolidated entity generated deferred management fees and development margins of $1,435,033 (2019: $2,456,285) on a reduced portfolio size due to divestments in the second half of FY20.

Significant Changes in State of Affairs

During FY20, the consolidated entity divested five of the seven retirement villages from its property portfolio, with settlements occurring in March and May 2020. The consolidated entity continues to hold interests in commercial properties and two developing retirement villages.

After Balance Date Events

Other than as disclosed in this report or the financial statements, there have been no matters or circumstances that have arisen, which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments, Prospects and Business Strategies

Disclosure of information relating to future developments of the consolidated entity in future financial years is likely to result in unreasonable prejudice to the interests of the consolidated entity. Accordingly, this information has not been disclosed in this Report.

Directors

The names and particulars of the Directors of the company during the financial year:

	**Dr Roger Sexton AM** Chairman (Independent Non Executive)	BEc (Hons), MEc, PhD (Econ), FAICD, SF Fin, CPMgr, CUniv Appointed Director on 1 October 2003. Dr Sexton is Chairman of the Remuneration and Nomination Committee. Dr Sexton is an Investment Banker with over 30 years' experience and is a specialist in corporate reconstruction, financial planning and funds management. He is a Director of a number of private and public company boards and organisations. Dr Sexton also previously served as a Director and Chairman of KeyInvest between 1990-2002.
	**Daryl Stillwell** Deputy Chairman (Independent Non Executive)	BA, Dip App Psych, Reg Psych MAPS(MCOP), FAICD, CMC, MAHRI Appointed Director on 1 July 2005. Mr Stillwell is Chairman of the Corporate Governance Committee and a member of the Finance and Investment Committee and the Remuneration and Nomination Committee. Mr Stillwell is Managing Director of a human resources consulting company and has over 40 years' experience within that industry.
	**Donny Walford** Director (Independent Non Executive)	FAICD Appointed Director on 1 July 2005. Ms Walford is the Chairman of the Finance and Investment Committee and a member of the Remuneration and Nomination Committee. Ms Walford is CEO of a strategy consulting company and has extensive experience in financial management, human resources, strategic planning and project management.

DIRECTORS' REPORT

Geoff Vogt

BEc, FAICD, FGIA, FCIS, SF Fin, FCPA, ANZIF (Assoc), CTP, RFD

Director
(Independent
Non Executive)

Appointed Director on 27 May 2010. Mr Vogt is the Chairman of the Board Audit Committee and a member of the Board Risk Committee and the Finance and Investment Committee. Mr Vogt is CEO of the Industry Leaders Fund Inc and a Director on a number of boards. Previously he worked as a CEO and in other senior executive roles primarily in the finance and insurance industries.

Marcus La Vincente AM

LLB, MBA, FAICD, FANZCN, FNSSA, Notary Public

Director
(Independent
Non Executive)

Appointed Director on 15 November 2011. Mr La Vincente is the Chairman of the Board Risk Committee, a member of the Board Audit Committee and a member and former Chairman of the Corporate Governance Committee. After many years as a Partner with the international law firm Minter Ellison, Mr La Vincente now consults to that firm as a Senior Legal Adviser. He has extensive commercial and corporate law experience as well as acting for a number of prominent not for profit organisations. Mr La Vincente has also been a Director of a number of private and public company boards and organisations.

Chantale Millard

BCom, Dip Management, FCPA, GAICD

Director
(Independent
Non Executive)

Appointed Director on 11 October 2018. Ms Millard is a member of the Board Audit Committee, the Board Risk Committee and the Corporate Governance Committee. Ms Millard has over 20 years' experience in a variety of senior executive and board roles in the areas of financial asset management and manufacturing. Ms Millard is currently CEO of Maggie Beer Holdings Limited, a South Australian based, publicly listed premium food and beverage group. Ms Millard is a FCPA and has over 10 years' experience in director roles.

The following persons were Directors of the following controlled entities of KeyInvest Ltd during FY20 and/or as at the date this Annual Report was published.

• Chiton RV Pty Ltd • KeyInvest Retirement Living Pty Ltd • KeyInvest Burton Pty Ltd • KeyInvest Gables Pty Ltd • KeyInvest Horsham Pty Ltd • KeyInvest Vistas Pty Ltd • KeyInvest Winzor Pty Ltd • Life Events Bond Pty Ltd	Stephen Aspinall and Stephen Favretto.
• KeyInvest Managed Investments Pty Ltd	Stephen Aspinall.

Chief Executive Officer

Stephen Aspinall, DipFMBM, FFin, FAIBF, MICM, MAICD

Mr Aspinall was appointed Chief Operating Officer on 1 February 2016 and Chief Executive Officer on 1 October 2018. Mr Aspinall has over 30 years' experience in banking, finance, broking and funds management. Between 2004-2016 Mr Aspinall's principal employment involved the establishment and day to day management of property and mortgage Managed Investment Schemes for retail and wholesale investors. Mr Aspinall holds a Diploma of Financial Services (Finance / Mortgage Broking Management).

Company Secretary

Dion Silvy, Chartered Secretary, AGIA, ACIS, BFin, GradDipAppFin (Wealth Management), GAICD

Mr Silvy was appointed Company Secretary on 27 March 2014. Mr Silvy's professional experience includes corporate advisory and corporate secretarial work for numerous Australian and international companies and four years with the Australian Securities Exchange (ASX) advising listed companies on compliance with the ASX Listing Rules. In addition to his professional qualification as a Chartered Secretary he holds a Bachelor of Finance and a Diploma of Applied Finance and Investment and is a graduate of the AICD Company Directors Course.

Directors' Meetings

The table below shows the number of Directors' meetings of the company held (including meetings of Board Committees) and the number of meetings attended by each of the Directors of the company during the year:

	Board of Directors		Corporate Governance		Finance and Investment		Remuneration and Nomination		Board Audit		Board Risk	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
R N Sexton	12	12	-	-	-	-	3	3	-	-	-	-
D L Stillwell	12	12	2	2	4	4	3	3	-	-	-	-
D Walford	12	12	-	-	4	4	3	3	-	-	-	-
G T Vogt	12	12	-	-	4	4	-	-	5	5	5	4
M D La Vincente	12	12	2	2	-	-	-	-	5	4	5	4
C M Millard	12	10	2	2	-	-	-	-	5	5	5	5

Indemnification of Officers or Auditors

During FY20 the company paid a premium in respect of a contract insuring the Directors, the Company Secretary and all officers of the consolidated entity, against liabilities incurred in their capacity as a director, secretary or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liabilities covered and the amount of premium.

During or since the end of FY20 the company has not indemnified or made a relevant agreement to indemnify the consolidated entity's Auditor against a liability arising out of their conduct while acting as the consolidated entity's Auditor. In addition, the consolidated entity has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by the consolidated entity's Auditor.

Proceedings

No person has applied for leave of Court to bring proceedings on behalf of the consolidated entity or intervene in any proceedings to which the consolidated entity is a party for the purpose of taking responsibility on behalf of the consolidated entity for all or any part of those proceedings. The consolidated entity was not a party to any such proceedings during FY20.

Environmental Issues

The consolidated entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory. The consolidated entity promotes environmentally sustainable business practices across all its operations. The company has a policy of providing a safe environment for its staff, customers and residents.

DIRECTORS' REPORT

Company Structure and Dividend Policy

The company is a public company, limited by shares and guarantee:

- No shares have been issued with respect to the company and the Directors have no present intention to issue shares or declare any dividends in FY21.
- The guarantee provided by members acts as both the means of membership of the company and the means of limiting the members' liability (the amount of each member's guarantee is up to a maximum of $1).

Options

No options over interests in the consolidated entity were granted during or since the end of FY20 and there were no options outstanding at the date of this report.

Auditor's Independence Declaration

The Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 follows the Directors' Report.

Signed in accordance with a resolution of the Board of Directors.

On behalf of the Board of Directors.

Dr Roger N Sexton AM
Chairman

Date: 28 September 2020

AUDITOR’S INDEPENDENCE DECLARATION

Nexia Edwards Marshall

AUDITOR’S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of KeyInvest Ltd.

As lead audit partner for the audit of the financial statements of KeyInvest Ltd for the financial year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) any applicable code of professional conduct in relation to the audit.

Nexia Edwards Marshall

Nexia Edwards Marshall
Chartered Accountants

Jamie Dreckow
Partner

Adelaide
South Australia

28 September 2020

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KeyInvest Ltd
Statements of comprehensive income
For the year ended 30 June 2020

	Note	Consolidated Entity 2020 $	Consolidated Entity 2019 $	Parent Entity 2020 $	Parent Entity 2019 $
Revenue	3	4,429,621	5,518,299	4,152,741	4,750,664
Other income	4	3,176,998	4,671,865	4,292,761	2,722,865
Interest revenue		24,961	47,446	24,429	47,446
Total revenue		7,631,580	10,237,610	8,469,931	7,520,975
Expenses					
Expenses	5	(15,584,731)	(12,262,112)	(12,529,879)	(10,345,626)
Total expenses		(15,584,731)	(12,262,112)	(12,529,879)	(10,345,626)
Deficit before income tax benefit		(7,953,151)	(2,024,502)	(4,059,948)	(2,824,651)
Income tax benefit	6	2,662,967	862,553	2,410,085	749,069
Life investment contracts	32				
Revenue		2,163,399	7,619,260	2,163,399	7,619,260
Expenses		(3,541,251)	(6,032,805)	(3,541,251)	(6,032,805)
Income tax benefit/(expense)		380,834	(1,149,934)	380,834	(1,149,934)
Add back: (surplus)/deficit after income tax expense		997,018	(436,521)	997,018	(436,521)
Life investment contracts contribution to profit, net of tax		-	-	-	-
Deficit after income tax benefit for the year attributable to the members of KeyInvest Ltd		(5,290,184)	(1,161,949)	(1,649,863)	(2,075,582)
Other comprehensive income for the year, net of tax		-	-	-	-
Total comprehensive income for the year attributable to the members of KeyInvest Ltd		(5,290,184)	(1,161,949)	(1,649,863)	(2,075,582)

KeyInvest Ltd
Statements of financial position
As at 30 June 2020

	Note	Consolidated Entity 2020 $	Consolidated Entity 2019 $	Parent Entity 2020 $	Parent Entity 2019 $
Assets					
Cash and cash equivalents	7	5,669,999	1,611,735	5,553,222	1,163,766
Financial assets at amortised cost	8	6,520,000	1,278,610	6,500,000	1,278,610
Other investments	9	-	-	35,003	15,003
Receivables	10	1,221,394	1,194,596	8,206,545	10,439,515
Investment property	11	15,126,349	42,749,885	8,000,000	24,245,536
Property, plant and equipment	12	603,609	811,048	598,892	803,942
Life investment contracts policyholder assets	13	225,604,876	214,159,353	225,604,876	214,159,353
Deferred tax assets	14	871,564	8,288,869	871,564	7,912,028
Intangible assets	15	330,000	440,000	330,000	440,000
Total assets		255,947,791	270,534,096	255,700,102	260,457,753
Liabilities					
Payables	16	867,072	2,334,864	719,158	1,603,795
Financial liabilities	17	-	9,416,814	-	5,829,388
Provisions	18	1,709,955	2,141,601	1,709,955	2,141,601
Life investment contracts policyholder liabilities	19	225,604,876	214,159,353	225,604,876	214,159,353
Deferred tax liabilities	20	122,541	9,547,933	-	7,407,640
Total liabilities		228,304,444	237,600,565	228,033,989	231,141,777
Net assets		27,643,347	32,933,531	27,666,113	29,315,976
Equity					
Retained earnings		27,643,347	32,933,531	27,666,113	29,315,976
Total equity		27,643,347	32,933,531	27,666,113	29,315,976

KeyInvest Ltd
Statements of changes in equity
For the year ended 30 June 2020

Consolidated Entity	Reserves $	Retained earnings $	Non-controlling interest $	Total equity $
Balance at 1 July 2018	193,473	34,372,644	2,664,558	37,230,675
Deficit after income tax benefit for the year	-	(1,161,949)	-	(1,161,949)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(1,161,949)	-	(1,161,949)
Disposal of minority interests	(193,473)	(277,164)	(2,664,558)	(3,135,195)
Balance at 30 June 2019	-	32,933,531	-	32,933,531

Consolidated Entity	Reserves $	Retained earnings $	Non-controlling interest $	Total equity $
Balance at 1 July 2019	-	32,933,531	-	32,933,531
Deficit after income tax benefit for the year	-	(5,290,184)	-	(5,290,184)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	(5,290,184)	-	(5,290,184)
Balance at 30 June 2020	-	27,643,347	-	27,643,347

Parent Entity	Retained earnings $	Total equity $
Balance at 1 July 2018	31,391,558	31,391,558
Deficit after income tax benefit for the year	(2,075,582)	(2,075,582)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(2,075,582)	(2,075,582)
Balance at 30 June 2019	29,315,976	29,315,976

Parent Entity	Retained earnings $	Total equity $
Balance at 1 July 2019	29,315,976	29,315,976
Deficit after income tax benefit for the year	(1,649,863)	(1,649,863)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income for the year	(1,649,863)	(1,649,863)
Balance at 30 June 2020	27,666,113	27,666,113

The above Statements of changes in equity should be read in conjunction with the accompanying notes.

KeyInvest Ltd
Statements of cash flows
For the year ended 30 June 2020

	Note	Consolidated Entity 2020 $	Consolidated Entity 2019 $	Parent Entity 2020 $	Parent Entity 2019 $
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		3,627,227	3,025,861	1,711,238	3,346,695
Payments to suppliers and employees (inclusive of GST)		(13,977,179)	(11,943,435)	(11,359,905)	(11,313,465)
Net receipts from issue of retirement village loans and licences		1,156,560	1,140,742	976,010	616,687
Interest and investment management fee receipts		2,532,198	2,814,520	2,308,157	3,561,222
Net GST recovered/(paid)		45,641	60,001	56,014	23,774
		(6,615,553)	(4,902,311)	(6,308,486)	(3,765,087)
Interest and other finance costs paid		(285,728)	(407,917)	(172,156)	(228,883)
Income taxes received from benefit funds		527,246	332,303	527,246	332,303
Net cash used in operating activities	29	(6,374,035)	(4,977,925)	(5,953,396)	(3,661,667)
Cash flows from investing activities					
Capital expenditure on retirement villages		(538,206)	(2,361,981)	(515,292)	(723,437)
Payments for property, plant and equipment	12	(85,014)	(503,424)	(76,362)	(503,424)
Capital expenditure on buildings	11	(10,768)	(37,033)	(10,768)	(37,033)
Payments for investment property		-	(2,100,000)	-	(2,100,000)
Payments for financial assets		(6,520,000)	-	(6,500,000)	-
Payments for shares in controlled entities		-	-	(20,000)	-
Proceeds from disposal of financial assets		1,278,610	1,750,000	1,278,610	1,750,000
Proceeds from disposal of investments		-	4,584,700	-	2,672,866
Proceeds from disposal of investment property		20,506,360	-	13,500,000	-
Proceeds from sale of retirement village new units and buybacks		5,344,000	4,724,565	1,643,000	3,413,015
Net cash from investing activities		19,974,982	6,056,827	9,299,188	4,471,987
Cash flows from financing activities					
Proceeds from borrowings	30	530,626	3,688,882	530,626	3,540,012
Repayment of borrowings	30	(10,073,309)	(4,849,547)	(6,360,640)	(3,557,047)
Loans from/(to) subsidiaries		-	-	6,873,678	(892,457)
Net cash from/(used in) financing activities		(9,542,683)	(1,160,665)	1,043,664	(909,492)
Net increase/(decrease) in cash and cash equivalents		4,058,264	(81,763)	4,389,456	(99,172)
Cash and cash equivalents at the beginning of the financial year		1,611,735	1,693,498	1,163,766	1,262,938
Cash and cash equivalents at the end of the financial year	7	5,669,999	1,611,735	5,553,222	1,163,766

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases
The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the Statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the Statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

There was no impact on the financial performance and position of the consolidated entity from the adoption of this Accounting Standard.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the AASB, the Corporations Act 2001 and the Life Insurance Act 1995, as appropriate for complying entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets, financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's and company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of KeyInvest Ltd ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. KeyInvest Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

A list of controlled entities is contained in note 26 to the financial statements.

Note 1. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12 month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

Note 1. Significant accounting policies (continued)

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Retirement villages
The consolidated entity is involved in the construction and management of retirement villages. During acquisition and construction, retirement villages will be recognised at cost and when “units of account” are complete, or substantially complete, they are stated at fair value. Land and work in progress available for future retirement village development are held at fair value or cost and tested for impairment. The fair value represents the present value of future cash flows based upon statistical modelling of incoming and outgoing residents and includes assumptions in respect of a number of factors, such as average length of residence and expected changes in property prices. A “unit of account” for present value of future cash flow purposes is a stage of the retirement village development which comprises apportionment of land and infrastructure and complete or substantially complete dwellings.

The retirement villages are re-valued annually as at 30 June on the basis of a discounted cash flow evaluation of the consolidated entity’s ongoing interest in the retirement villages. These valuations are carried out by Certified Practising Valuers and by the consolidated entity's Directors in a cycle which results in each retirement village being independently valued by a Certified Practising Valuer every third year. The increment or decrement resulting from the valuation is added to or deducted from the retirement village asset account (note 11). The consolidated entity’s interest, net of residents’ interests, is shown in note 11 and the movement in the total increment or decrement resulting from the revaluation is reflected in the Statement of comprehensive income.

The classification of land and work in progress within investment property reflects the nature and purpose of these assets in accordance with AASB 140, paragraph 8(e) which indicates such items should be classified within investment property as it is “property being constructed or developed for future use as investment property”.

Long Term Maintenance Funds have been established from resident contributions for the purpose of maintenance, repair, replacement or renovation of large cost items generally with an effective life of more than one year. Capital Replacement Funds have been established from the retention of a percentage of the resident loan amount generally for the purpose of capital improvement, upgrade and maintenance of specific infrastructure.

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal or value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash generating unit ('CGU') to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a CGU.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Goods and services tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 1. Significant accounting policies (continued)

Tax consolidation
KeyInvest Ltd and its wholly owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the tax consolidated group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the “stand alone taxpayer” approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 1 July 2008. The tax consolidated group has entered a tax funding arrangement whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the group’s taxable income. Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to, the head entity.

New accounting standards and interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2020.

Life business - disclosure
The financial statements recognise the assets, liabilities, income and expenses of the life insurance business conducted by the consolidated entity in accordance with AASB 9: Financial Instruments: Recognition and Measurement and AASB 1038: Life Insurance Contracts which apply to investment contracts and assets backing insurance liabilities respectively. These amounts represent the total life business of the consolidated entity.

Restriction on assets
Assets held in the life funds can only be used within the restrictions imposed under the Life Insurance Act 1995. The main restrictions are that the assets in a fund can only be used to meet the liabilities and expenses of the fund, acquire investments to further the business of the fund or pay distributions when capital adequacy requirements allow. Policyholders can only receive a distribution when the capital adequacy requirements of the Life Insurance Act 1995 are met.

Policy liabilities
Life insurance liabilities are measured as the accumulated benefits to policyholders in accordance with AASB 9 and AASB 1038, which apply to investment contracts and assets backing insurance liabilities respectively.

Investment assets
Investment assets are carried at fair value through profit and loss. Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all unlisted securities, including recent arm’s length transactions, reference to similar instruments and option pricing models. Changes in fair values are recognised in the Statement of comprehensive income in the financial period in which the changes occur.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Fair value measurement hierarchy
The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
Level 3: unobservable inputs for the asset or liability.

Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets
The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of CGU's have been determined based on the higher of fair value less cost to sell and value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Investment property
Investment property comprises freehold office buildings and retirement villages. The office buildings are held to generate long-term rental yields and capital appreciation. Retirement villages are held to provide long-term revenue from deferred management fees and development margins. All tenant leases and loan contracts are on an arm’s length basis. Investment property is carried at fair value, determined annually either by independent valuers or the consolidated entity's Directors. Changes to fair value are recorded in the Statement of comprehensive income.

In accounting for its retirement villages in accordance with AASB 140: Investment property, the consolidated entity defines an investment property unit of account to represent a stage of retirement village development.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision
As discussed in the Provision note, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Revenue

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Commission	-	8,599	-	8,599
Management fees	2,994,588	3,053,415	2,994,588	3,053,415
Deferred management fees and development margin on sale of retirement village loans and licences	1,435,033	2,456,285	1,158,153	1,688,650
Revenue	4,429,621	5,518,299	4,152,741	4,750,664

Accounting policy for revenue recognition
Revenue is measured at the fair value of the consideration received or receivable.

Management fees
The parent entity receives various fees from the life investment contracts. These fees are recognised and brought to account in accordance with the rules of the respective benefit funds and the KeyInvest Ltd constitution. Management fees are considered revenue from contracts with customers.

Retirement village unit sales
Revenue on sales of retirement village units and apartments are recognised on the execution of a loan contract and receipt of the loan proceeds.

Note 4. Other income

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Surplus from revaluation of investment properties	-	1,033,239	-	100,000
Reversal of impairment of inter-company loans	-	-	2,011,885	-
Rental income	621,641	716,344	621,641	716,344
Accommodation fees from retirement village residents	1,817,883	2,085,257	1,044,084	1,246,608
Other	737,474	837,025	615,151	659,913
Other income	3,176,998	4,671,865	4,292,761	2,722,865

Property rental
Rental income from tenancy leases is recognised on an accruals basis. Any lease incentives are usually provided via rental holidays or rental discounts. Rental, or maintenance fees, from retirement village residents, is brought to account over the period of accommodation.

Income from sale of property, plant and equipment
The profit or loss on the sale of property, plant and equipment used for operational purposes is recognised upon the sale of the asset.

Note 5. Expenses

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Audit fees	91,778	73,049	83,297	70,961
Actuarial fees	68,638	41,323	55,705	31,288
Depreciation and amortisation	368,750	221,795	318,327	176,160
Regulatory supervision fees	63,164	27,597	61,722	27,597
Salaries, wages and on costs	3,515,157	3,499,134	2,632,462	2,576,523
Employee benefits	233,460	251,552	217,869	243,812
Superannuation contributions	315,710	311,933	242,073	226,894
Commissions	124,536	149,704	106,536	137,704
Impairment and revaluations	1,798,363	1,177,493	1,139,519	2,147,140
Outsourced arrangements	489,752	547,670	489,752	547,670
Rates and taxes	984,738	1,020,753	710,501	784,287
Marketing	508,282	691,847	341,838	402,312
Borrowing costs	411,596	686,304	172,782	232,806
Information technology	385,620	387,238	299,400	305,372
Maintenance	273,205	444,180	121,230	254,302
Professional services	382,319	364,130	352,439	333,276
Loss on disposal of assets	782,901	-	782,901	-
Loss on sale of assets	2,418,073	-	2,614,433	-
Other operating expenses	2,368,689	2,366,410	1,787,093	1,847,522
	15,584,731	12,262,112	12,529,879	10,345,626

Note 6. Income tax benefit

	Consolidated Entity 2020 $	Consolidated Entity 2019 $	Parent Entity 2020 $	Parent Entity 2019 $
Income tax benefit				
Current tax	6,409,522	(2,269,746)	5,021,493	(1,615,402)
Adjustment recognised for prior periods	(25,890)	-	(25,890)	-
Deferred tax	(9,046,599)	1,407,193	(7,405,688)	866,333
Aggregate income tax benefit	(2,662,967)	(862,553)	(2,410,085)	(749,069)
Numerical reconciliation of income tax benefit and tax at the statutory rate				
Deficit before income tax benefit	(7,953,151)	(2,024,502)	(4,059,948)	(2,824,651)
Tax at the statutory tax rate of 30%	(2,385,945)	(607,351)	(1,217,984)	(847,395)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:				
Non-assessable income	52,397	53,978	52,397	53,978
Impairment adjustments	-	-	(301,691)	-
Net adjustments arising from retirement villages	(542,646)	68,939	(503,393)	437,169
Net adjustments arising from life investment contracts	(229,356)	(224,491)	(229,356)	(224,491)
Non-deductible expenditure	(170,946)	(153,628)	(184,168)	(168,330)
Derecognition of capital loss	639,419	-	-	-
	(2,637,077)	(862,553)	(2,384,195)	(749,069)
Adjustment recognised for prior periods	(25,890)	-	(25,890)	-
Income tax benefit	(2,662,967)	(862,553)	(2,410,085)	(749,069)

Note 7. Cash and cash equivalents

	Consolidated Entity 2020 $	Consolidated Entity 2019 $	Parent Entity 2020 $	Parent Entity 2019 $
Cash at bank and in hand	2,006,186	95,447	2,005,604	94,429
Short-term money market	3,663,813	1,516,288	3,547,618	1,069,337
	5,669,999	1,611,735	5,553,222	1,163,766

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of six months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 8. Financial assets at amortised cost

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Term deposits	6,520,000	1,278,610	6,500,000	1,278,610

Refer to note 22 for further information on fair value measurement.

Note 9. Other investments

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Shares in controlled entities	-	-	35,003	15,003

Note 10. Receivables

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Prepayments	226,919	248,363	226,919	248,363
Loans to controlled entities - unsecured	-	-	6,991,755	9,929,166
Receivable from life funds	973,061	868,480	973,061	214,136
Interest and distributions receivable	7,460	101	7,408	-
Other	13,954	77,652	7,402	47,850
	1,221,394	1,194,596	8,206,545	10,439,515

Note 11. Investment property

	Consolidated Entity 2020 $	Consolidated Entity 2019 $	Parent Entity 2020 $	Parent Entity 2019 $
Land and buildings - opening balance	8,122,502	5,885,469	8,122,502	5,885,469
Acquisitions, additions and disposals	10,768	2,137,033	10,768	2,137,033
Fair value adjustments	(133,270)	100,000	(133,270)	100,000
	8,000,000	8,122,502	8,000,000	8,122,502
Retirement villages - opening balance	28,898,000	30,512,253	14,513,000	17,356,003
Additions and reductions	(904)	(301,100)	-	(664,604)
Disposals	(21,323,000)	-	(14,513,000)	-
Revaluation - consolidated entity's interests	(627,675)	(544,694)	-	179,481
Revaluation - residents' interests	(2,274,328)	(2,524,809)	-	(1,726,981)
Transfer from undeveloped land	-	147,308	-	-
Transfer from work in progress	-	2,033,302	-	59,012
Fair value adjustments	(125,093)	(424,260)	-	(689,911)
	4,547,000	28,898,000	-	14,513,000
Retirement villages - undeveloped land - opening balance	3,943,803	4,063,804	663,803	663,803
Disposals	(663,803)	-	(663,803)	-
Transfer to retirement villages	-	(147,308)	-	-
Fair value adjustments	(1,250,001)	27,307	-	-
	2,029,999	3,943,803	-	663,803
Retirement villages - work in progress - opening balance	1,785,580	1,343,005	946,231	332,374
Acquisitions, additions and disposals	(946,230)	2,323,178	(946,231)	672,869
Transfer to retirement villages	-	(2,033,302)	-	(59,012)
Fair value adjustments	(290,000)	152,699	-	-
	549,350	1,785,580	-	946,231
	15,126,349	42,749,885	8,000,000	24,245,536

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	Consolidated Entity 2020 $	Consolidated Entity 2019 $	Parent Entity 2020 $	Parent Entity 2019 $
Opening fair value	42,749,885	41,804,531	24,245,536	24,237,649
Additions	9,864	4,159,111	10,768	2,145,298
Disposals	(22,933,033)	-	(16,123,034)	-
Revaluation increments	-	280,006	-	100,000
Revaluation decrements	(4,700,367)	(3,493,763)	(133,270)	(2,237,411)
Closing fair value	15,126,349	42,749,885	8,000,000	24,245,536

Note 11. Investment property (continued)

	Consolidated Entity 2020 $	Consolidated Entity 2019 $	Parent Entity 2020 $	Parent Entity 2019 $
Retirement villages				
Investment in the retirement villages as at 30 June was:				
Development and acquisition costs	24,399,890	127,724,891	-	63,754,226
Revaluation of consolidated entity's interests	(951,891)	8,380,194	-	7,731,811
Revaluation of residents' interests	(2,564,700)	(11,364,179)	-	(5,950,806)
Residents' loans and licences	(16,336,300)	(95,842,906)	-	(51,022,231)
Total units of account at fair value	4,546,999	28,898,000	-	14,513,000
Total at cost (after testing for impairment)				
Undeveloped land	2,030,000	3,943,803	-	663,803
Work in progress	549,350	1,785,580	-	946,231
Total net investment	7,126,349	34,627,383	-	16,123,034

Valuations of investment properties
The 2020 valuations were conducted by external accredited independent valuer Knight Frank Valuations and by the consolidated entity's Directors. Investment properties are stated at fair value. Where the Directors determine a property's value a reasonable fair value estimate as applicable to each type of investment property is used. Fair value for completed retirement villages valued by the consolidated entity's Directors is determined using a financial model which calculates the net present value of future cash flows. The financial model incorporates information including:

(i) current prices in an active market for properties of a similar nature; and
(ii) resident turnover rates based on business experience including the expected average length of residence based on mortality assumptions and voluntary turnover, average incoming ages and distributions.

Refer to note 22 for further information on fair value measurement.

Note 12. Property, plant and equipment

	Consolidated Entity 2020 $	Consolidated Entity 2019 $	Parent Entity 2020 $	Parent Entity 2019 $
Furniture, equipment and software - at cost	1,678,573	2,252,029	1,638,737	2,210,482
Less: Accumulated depreciation	(1,100,392)	(1,476,107)	(1,065,273)	(1,441,666)
	578,181	775,922	573,464	768,816
Motor vehicles - at cost	63,707	74,207	63,707	74,207
Less: Accumulated depreciation	(38,279)	(39,081)	(38,279)	(39,081)
	25,428	35,126	25,428	35,126
	603,609	811,048	598,892	803,942

Note 12. Property, plant and equipment (continued)

Consolidated Entity	Furniture, equipment and software $	Motor vehicles $	Total $
Balance at 1 July 2018	489,973	45,324	535,297
Additions	503,423	-	503,423
Disposals	(5,877)	-	(5,877)
Depreciation expense	(211,597)	(10,198)	(221,795)
Balance at 30 June 2019	775,922	35,126	811,048
Additions	85,014	-	85,014
Disposals	(32,623)	(1,080)	(33,703)
Depreciation expense	(250,133)	(8,617)	(258,750)
Balance at 30 June 2020	578,180	25,429	603,609

Parent Entity	Furniture, equipment and software $	Motor vehicles $	Total $
Balance at 1 July 2018	479,286	45,324	524,610
Additions	503,424	-	503,424
Disposals	(5,877)	-	(5,877)
Depreciation expense	(208,017)	(10,198)	(218,215)
Balance at 30 June 2019	768,816	35,126	803,942
Additions	76,362	-	76,362
Disposals	(23,954)	(1,080)	(25,034)
Depreciation expense	(247,761)	(8,617)	(256,378)
Balance at 30 June 2020	573,463	25,429	598,892

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Office equipment	3% to 40%
Furniture and fittings	1% to 18%

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 13. Life investment contracts policyholder assets

	Consolidated Entity 2020 $	Consolidated Entity 2019 $	Parent Entity 2020 $	Parent Entity 2019 $
Supersaver Bond Fund	21,580,581	23,775,767	21,580,581	23,775,767
Life Events Bond Funds	53,838,261	38,254,942	53,838,261	38,254,942
Pre-Arranged Funeral Fund	23,314,354	26,106,005	23,314,354	26,106,005
KeyInvest Funeral Bond	123,620,639	124,081,421	123,620,639	124,081,421
Income Security Fund	1,793,870	1,941,218	1,793,870	1,941,218
KeyInvest Funeral Bond Unitised	1,457,171	-	1,457,171	-
	225,604,876	214,159,353	225,604,876	214,159,353

Refer to note 22 for further information on fair value measurement.

Actuarial report
The effective date of the actuarial report on the policy liabilities and solvency reserves is 30 June 2020. The actuarial report for KeyInvest Ltd was prepared by Deborah Jones, FIAA, and was dated 28 September 2020. The appointed actuary is satisfied as to the accuracy of the data upon which the policy liabilities have been determined.

Refer to note 32 for further information on life investment contracts.

Note 14. Deferred tax assets

	Consolidated Entity 2020 $	Consolidated Entity 2019 $	Parent Entity 2020 $	Parent Entity 2019 $
Deferred tax asset	871,564	8,288,869	871,564	7,912,028
Movements:				
Opening balance	8,288,869	6,928,522	7,912,028	6,395,277
Valuation adjustments	299,147	(587,437)	36,569	-
Carry forward tax losses	-	1,707,567	-	1,707,567
Employee benefit and payables movement	(12,351)	240,217	(12,351)	(190,816)
Tax losses utilised	(7,064,682)	-	(7,064,682)	-
Derecognition of capital loss	(639,419)	-	-	-
Closing balance	871,564	8,288,869	871,564	7,912,028

Note 15. Intangible assets

	Consolidated Entity 2020 $	Consolidated Entity 2019 $	Parent Entity 2020 $	Parent Entity 2019 $
Intellectual property - at cost	440,000	440,000	440,000	440,000
Less: Accumulated amortisation	(110,000)	-	(110,000)	-
	330,000	440,000	330,000	440,000

Note 15. Intangible assets (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated Entity	Intellectual Property $	Total $
Balance at 1 July 2018	440,000	440,000
Balance at 30 June 2019	440,000	440,000
Amortisation of assets	(110,000)	(110,000)
Balance at 30 June 2020	330,000	330,000

Parent Entity	Intellectual Property $	Total $
Balance at 1 July 2018	440,000	440,000
Balance at 30 June 2019	440,000	440,000
Amortisation of assets	(110,000)	(110,000)
Balance at 30 June 2020	330,000	330,000

Note 16. Payables

	Consolidated Entity		Parent Entity	
	2020 $	2019 $	2020 $	2019 $
Trade creditors	291,997	342,426	291,898	342,326
Creditors and accrued expenses	288,933	378,193	299,009	161,174
Accrued expenses	140,868	491,623	128,251	424,625
Retirement village maintenance fund liabilities	145,274	1,122,622	-	675,670
	867,072	2,334,864	719,158	1,603,795

Refer to note 21 for further information on financial risk management.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 17. Financial liabilities

	Consolidated Entity		Parent Entity	
	2020 $	2019 $	2020 $	2019 $
Bank loans - secured	-	9,416,814	-	5,829,388

Note 17. Financial liabilities (continued)

Refer to note 21 for further information on financial risk management.

Total secured liabilities
The total secured liabilities are as follows:

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Bank loans - secured	-	9,416,814	-	5,829,388

Loan facilities

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Total facilities				
Bank loans	-	17,250,000	-	10,750,000
Used at the reporting date				
Bank loans	-	9,416,814	-	5,829,388
Unused at the reporting date				
Bank loans	-	7,833,186	-	4,920,612

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 18. Provisions

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Annual leave	201,488	198,307	201,488	198,307
Long service leave	252,234	311,650	252,234	311,650
Unearned income - contract liabilities	1,256,233	1,631,644	1,256,233	1,631,644
	1,709,955	2,141,601	1,709,955	2,141,601

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Movements in provisions
Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated Entity - 2020	Unearned income $
Carrying amount at the start of the year	1,631,644
Amounts used	(375,411)
Carrying amount at the end of the year	1,256,233

Note 18. Provisions (continued)

Parent Entity - 2020	Unearned income $
Carrying amount at the start of the year	1,631,644
Amounts used	(375,411)
Carrying amount at the end of the year	1,256,233

Accounting policy for provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Accounting policy for other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows after taking into account the factors outlined in note 1.

Accounting policy for contract liabilities
Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Note 19. Life investment contracts policyholder liabilities

	Consolidated Entity		Parent Entity	
	2020 $	2019 $	2020 $	2019 $
Supersaver Bond Fund	21,580,581	23,775,767	21,580,581	23,775,767
Life Events Bond Funds	53,838,261	38,254,942	53,838,261	38,254,942
Pre-Arranged Funeral Fund	23,314,354	26,106,005	23,314,354	26,106,005
KeyInvest Funeral Fund	123,620,639	124,081,421	123,620,639	124,081,421
Income Security Fund	1,793,870	1,941,218	1,793,870	1,941,218
KeyInvest Funeral Fund Unitised	1,457,171	-	1,457,171	-
	225,604,876	214,159,353	225,604,876	214,159,353

Refer to note 32 for further information on life investment contracts.

Note 20. Deferred tax liabilities

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Deferred tax liability	122,541	9,547,933	-	7,407,640
Movements:				
Opening balance	9,547,933	8,464,885	7,407,640	6,731,842
Valuation adjustments	(94,147)	1,083,048	-	675,798
Reduction on disposal of investment properties	(9,331,245)	-	(7,407,640)	-
Closing balance	122,541	9,547,933	-	7,407,640

Note 21. Financial risk management

a Financial risk management policies
Insurance contracts (Statutory Funds) as defined in AASB 4: Insurance Contracts are exempted from disclosure requirements under AASB 7: Financial Instruments Disclosures. Financial risk management disclosures in this note relate to the consolidated entity's financial instruments only.

The consolidated entity complies with the APRA Prudential Standard - Capital Adequacy LPS 110 which prescribes specific reserves to be established to meet a wide range of adverse but plausible conditions including the requirement that the consolidated entity be able to meet its obligations in respect of any business it carries on that is not life insurance business as those obligations fall due.

The consolidated entity's financial instruments consist mainly of deposits with banks and local money markets, short-term investments, listed shares, unlisted unit trusts and accounts receivable and payable.

The main purpose of non-derivative financial instruments is to manage capital for consolidated entity operations. The consolidated entity does not have any derivative instruments at 30 June 2020.

Investment risk management: On a regular basis the Management Investment Committee assesses and evaluates financial risk exposure and investment management strategies in the context of the most recent economic conditions and forecasts.

Management's overall risk management strategy seeks to assist the consolidated entity in meeting its strategic goals and financial targets, whilst minimising potential adverse effects on financial performance.

The Management Investment Committee operates under the policies approved by the Board of Directors. Risk Management policies are approved and reviewed by the Board on a regular basis. These policies cover liquidity, market and credit risk.

Financial risk exposures and management: The main risks the consolidated entity is exposed to through the financial instruments are liquidity risk, market risk and credit risk.

Liquidity risk: Liquidity risk is the risk that the consolidated entity is unable to promptly meet its obligations as they fall due.

The consolidated entity manages liquidity risk by monitoring forecast cash flows modelled on a 12 month time frame and applying limits to concentration of illiquid assets and counterparties. Non-committed capital is assessed regularly to determine the liquidity profile.

Market risk: Market risk is the risk that the value of assets of the consolidated entity will decline as a result of changes in market conditions. The consolidated entity is exposed to the following risks:

Price Risk - Equities: The consolidated entity's exposure to changes in the price and volatility of individual equities and equity indices affect the value of investments in financial assets held by the consolidated entity. This risk is primarily managed by investment diversification. For further details on equity price risk refer to section d later in this note.

Note 21. Financial risk management (continued)

Interest rate: Interest rate risk is the risk that the value of financial assets will fluctuate due to movements in interest rate and credit markets. The consolidated entity mitigates its exposure to interest rate risk by maintaining predominantly liquid financial assets and limited exposure to fixed interest loans. For further details on interest rate risk refer to section d later in this note.

Credit risk: Credit risk is the risk of counterparty default resulting in financial loss to the consolidated entity. The maximum exposure of the consolidated entity to credit risk, at balance date, to assets that have been recognised in the Statement of financial position, is the carrying amount, net of any allowance for impairment of those assets.

The consolidated entity's credit risk arises from exposure to deposits with financial institutions. The Management Investment Committee, which reports to the Board, reviews credit risk regularly taking into account rating quality and liquidity of counterparties.

The majority of the consolidated entity's short-term deposits are held with APRA regulated financial institutions. Unlisted financial assets are not rated by external credit agencies. These are reviewed regularly to ensure that credit exposure is minimised.

The table reflects the credit risk of the consolidated entity's receivables.

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Receivables				
A1+ rated counterparties	7,460	101	7,408	-
Counterparties not rated	240,873	326,015	234,321	296,213
Internal receivable from life funds	973,061	868,480	973,061	214,136
Total	1,221,394	1,194,596	1,214,790	510,349

b Financial instruments composition and maturity analysis
The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period to maturity, as well as Management's expectations of the settlement period for all other financial instruments. For this reason, the amounts may not reconcile to the Statement of financial position.

Consolidated Entity - 2020

Financial Instruments	**Variable interest rate**	**Non-interest bearing**	**Total**
	$	**$**	**$**
Financial assets			
Cash assets	2,006,186	-	2,006,186
Short-term money market	3,663,813	-	3,663,813
Receivables	-	1,221,394	1,221,394
Total financial assets	5,669,999	1,221,394	6,891,393
Financial liabilities			
Payables	-	867,070	867,070
Bank loans secured	-	-	-
Total financial liabilities	-	867,070	867,070

Note 21. Financial risk management (continued)

Parent Entity - 2020

Financial instruments	**Variable interest rate $**	**Non-interest bearing $**	**Total $**
Financial assets			
Cash assets	2,005,604	-	2,005,604
Short-term money market	3,547,618	-	3,547,618
Shares in controlled entities	-	35,003	35,003
Loans to controlled entities	-	6,991,755	6,991,755
Receivables	-	1,214,790	1,214,790
Total financial assets	5,553,222	8,241,548	13,794,770
Financial liabilities			
Payables	-	719,154	719,154
Bank loans secured	-	-	-
Total financial liabilities	-	719,154	719,154

Consolidated Entity - 2019

Financial instruments	**Variable interest rate $**	**Non-interest bearing $**	**Total $**
Financial assets			
Cash assets	95,447	-	95,447
Short-term money market	1,516,288	-	1,516,288
Receivables	-	1,194,596	1,194,596
Total financial assets	1,611,735	1,194,596	2,806,331
Financial liabilities			
Payables	-	2,334,864	2,334,864
Bank loans secured	9,416,814	-	9,416,814
Total financial liabilities	9,416,814	2,334,864	11,751,678

Parent Entity - 2019

Financial instruments	**Variable interest rate $**	**Non-interest bearing $**	**Total $**
Financial assets			
Cash assets	94,429	-	94,429
Short-term money market	1,069,337	-	1,069,337
Shares in controlled entities	-	15,003	15,003
Loans to controlled entities	-	9,929,166	9,929,166
Receivables	-	510,349	510,349
Total financial assets	1,163,766	10,454,518	11,618,284
Financial liabilities			
Payables	-	1,603,795	1,603,795
Bank loans secured	5,829,388	-	5,829,388
Total financial liabilities	5,829,388	1,603,795	7,433,183

Note 21. Financial risk management (continued)

c Net fair values
The net fair values of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values in 2020: nil (2019: nil).

The aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date were:

	2020		2019	
Consolidated Entity	**Carrying amount $**	**Net fair value $**	**Carrying amount $**	**Net fair value $**
Financial assets				
Financial assets at amortised cost	6,520,000	6,520,000	1,278,610	1,278,610
Receivables	1,221,394	1,221,394	1,194,596	1,194,596
Total financial assets	7,741,394	7,741,394	2,473,206	2,473,206
Financial liabilities				
Payables	867,070	867,070	2,334,864	2,334,864
Bank loans secured	-	-	9,416,814	9,416,814
Total financial liabilities	867,070	867,070	11,751,678	11,751,678

	2020		2019	
Parent Entity	**Carrying amount $**	**Net Fair value $**	**Carrying amount $**	**Net Fair value $**
Financial assets				
Financial assets at amortised cost	6,500,000	6,500,000	1,278,610	1,278,610
Receivables	1,214,790	1,214,790	510,349	510,349
Total financial assets	7,714,790	7,714,790	1,788,959	1,788,959
Financial liabilities				
Payables	719,154	719,154	1,603,795	1,603,795
Bank loans secured	-	-	5,829,388	5,829,388
Total financial liabilities	719,154	719,154	7,433,183	7,433,183

Note 21. Financial risk management (continued)

d Sensitivity analysis

Interest rate sensitivity analysis: The consolidated entity has performed a sensitivity analysis relating to the exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk. At 30 June, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining unchanged would be as follows:

		Consolidated Entity		Parent Entity	
		2020	2019	2020	2019
		$	$	$	$
	Change in Interest Rate %	Sensitivity of profit and equity (before tax)			
Financial assets					
Cash at bank and in hand	+2	40,124	1,051	40,112	1,051
Short-term money market	+2	73,276	31,184	70,952	22,225
Financial assets at amortised cost	+2	130,400	25,272	130,000	25,572
Cash at bank and in hand	-2	(40,124)	(1,051)	(40,112)	(1,051)
Short-term money market	-2	(73,276)	(31,184)	(70,952)	(22,225)
Financial assets at amortised cost	-2	(130,400)	(25,272)	(130,000)	(25,572)
Financial liabilities					
Bank loan secured	-2	-	188,336	-	116,588
Bank loan secured	+2	-	(188,336)	-	(116,588)

Note 22. Fair value measurement

Fair value hierarchy
The consolidated entity measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:
- derivative financial instruments
- financial assets held for trading
- financial assets at amortised cost
- freehold land and buildings
- investment properties
- obligation for contingent consideration arising from a business combination

The consolidated entity subsequently measures some items of freehold land and buildings at fair value on a non-recurring basis.

The consolidated entity does not subsequently measure any liabilities at fair value on a non-recurring basis.

Fair Value Hierarchy
AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Note 22. Fair value measurement (continued)

Level 2
Measurements based on inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3
Measurements based on unobservable inputs for the asset or liability.

The following tables provide the fair values of the consolidated entity's assets and liabilities measured and recognised on a recurring basis after initial recognition and the categorisation within the fair value hierarchy:

Consolidated Entity - 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Term deposits	6,520,000	-	-	6,520,000
Investment property	-	15,126,349	-	15,126,349
Total assets	6,520,000	15,126,349	-	21,646,349

Consolidated Entity - 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Term deposits	1,278,610	-	-	1,278,610
Investment property	-	42,749,885	-	42,749,885
Total assets	1,278,610	42,749,885	-	44,028,495

Parent Entity - 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Term deposits	6,500,000	-	-	6,500,000
Shares in controlled entities	-	35,003	-	35,003
Investment property	-	8,000,000	-	8,000,000
Total assets	6,500,000	8,035,003	-	14,535,003

Parent Entity - 2019	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Term deposits	1,278,610	-	-	1,278,610
Shares in controlled entities	-	15,003	-	15,003
Investment property	-	24,245,536	-	24,245,536
Total assets	1,278,610	24,260,539	-	25,539,149

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in level 3.

There were no transfers between levels during the financial year.

Valuation Techniques
The consolidated entity selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the consolidated entity are consistent with one or more of the following valuation approaches:

Note 22. Fair value measurement (continued)

Market Approach:
Valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

Income Approach:
Valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

Cost Approach:
Valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the consolidated entity gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Valuation techniques for fair value measurements categorised within level 2 and level 3
The basis of the valuation of investment properties is fair value. The investment properties are revalued annually either by Directors of the consolidated entity or, based on independent assessments on a three year cycle, by a member of the Australian Property Institute having recent experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment.

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 23. Key management personnel compensation

Other key management personnel
The key management personnel of the consolidated entity consisted of the following 11 (2019: 11) positions: Chief Executive Officer, Chief Financial Officer, Company Secretary / Chief Investment Officer, General Manager Sales and Operations, General Manager Client Services and Non Executive Directors (6).

Compensation
Total remuneration of the key management personnel is set out below:

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Short-term employee benefits	1,599,739	1,750,063	1,599,739	1,750,063
Long-term benefits	162,053	181,535	162,053	181,535
	1,761,792	1,931,598	1,761,792	1,931,598

Note 24. Capital and lease commitments

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Capital expenditure commitments				
Committed at the reporting date but not recognised as liabilities:				
Construction of retirement villages	-	219,080	-	219,080
Payable				
Committed at the reporting date but not recognised as liabilities, payable:				
Within one year	-	219,080	-	219,080

Note 25. Related party transactions

Parent entity
The ultimate parent entity is KeyInvest Ltd which is incorporated in Australia.

Subsidiaries
Interests in subsidiaries are set out in note 26.

Key management personnel
Disclosures relating to key management personnel are set out in note 23.

Note 25. Related party transactions (continued)

Transactions with related parties
Other than specific transactions listed below, other transactions with related parties during the current and previous financial year have been eliminated as a part of producing the consolidated financial reports.

The following specific transactions occurred with related parties:

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Payment for goods and services:				
Mr D L Stillwell is a Director of a human resource management consultancy that received fees for human resources services provided to the consolidated entity.	3,376	40,706	3,376	40,706
Mr T Sarah is a Director of a plumbing services company that received fees for plumbing services provided to the consolidated entity.	-	2,877	-	2,877
Mr M La Vincente is a Consultant of a law firm that received fees for legal advice provided to the consolidated entity.	-	690	-	690

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
	Principal place of business /	2020	2019
Name	Country of incorporation	%	%
Life Events Bond Pty Ltd	Australia	100.00%	100.00%
KeyInvest Managed Investments Pty Ltd	Australia	100.00%	100.00%
KeyInvest Retirement Living Pty Ltd	Australia	100.00%	100.00%
KeyInvest Gables Pty Ltd	Australia	100.00%	100.00%
KeyInvest Horsham Pty Ltd	Australia	100.00%	100.00%
KeyInvest Winzor Pty Ltd	Australia	100.00%	100.00%
KeyInvest Vistas Pty Ltd	Australia	100.00%	100.00%
Chiton RV Pty Ltd AFT Chiton RV Unit Trust	Australia	100.00%	100.00%
Chiton RV Unit Trust	Australia	100.00%	100.00%
KeyInvest Burton Pty Ltd	Australia	100.00%	100.00%

Percentage of voting power is in proportion to ownership.

Note 27. Economic dependency

The consolidated entity has economic dependency on Corporate Information Management Pty Ltd for the provision of information technology services in relation to the consolidated entity's life funds membership system.

Note 28. Events after the reporting period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

There are no other events subsequent to 30 June 2020 that need to be disclosed in the financial statements.

Note 29. Reconciliation of deficit after income tax to net cash used in operating activities

	Consolidated Entity		Parent Entity	
	2020	2019	2020	2019
	$	$	$	$
Deficit after income tax benefit for the year	(5,290,184)	(1,161,949)	(1,649,863)	(2,075,582)
Adjustments for:				
Depreciation and amortisation	368,750	221,795	366,378	218,215
Write off of property, plant and equipment	33,703	5,877	25,034	5,877
Finance costs - non-cash	125,868	278,388	625	3,369
Impairment of assets	1,798,364	144,254	(872,366)	2,047,140
Net loss on disposal of investment property	2,418,073	-	2,614,433	-
Change in operating assets and liabilities:				
(Increase)/decrease in receivables	(26,798)	138,359	(1,843,960)	(1,414,636)
Decrease in the consolidated entity's net interests in retirement villages	(1,894,286)	(3,415,159)	(2,910,222)	(460,432)
(Increase)/decrease in deferred tax assets	7,417,305	(1,360,347)	7,040,464	(1,516,751)
Decrease in payables	(1,467,792)	(457,284)	(884,637)	(704,008)
Decrease in provision for income tax	-	(456)	-	-
Increase/(decrease) in deferred tax liabilities	(9,425,392)	1,083,048	(7,407,640)	675,798
Decrease in provisions	(56,235)	(69,036)	(56,231)	(55,242)
Decrease in unearned income	(375,411)	(385,415)	(375,411)	(385,415)
Net cash used in operating activities	(6,374,035)	(4,977,925)	(5,953,396)	(3,661,667)

Note 30. Changes in liabilities arising from financing activities

Consolidated Entity	Proceeds from borrowing $	Repayment of borrowings $	Non-cash borrowing costs $	Total $
Balance at 1 July 2018	16,433,479	(6,663,306)	528,919	10,299,092
Loans received	3,688,882	(4,849,547)	278,388	(882,277)
Balance at 30 June 2019	20,122,361	(11,512,853)	807,307	9,416,815
Loans received	530,626	(10,073,309)	125,868	(9,416,815)
Balance at 30 June 2020	20,652,987	(21,586,162)	933,175	-

Note 30. Changes in liabilities arising from financing activities (continued)

Parent Entity	Proceeds from borrowing $	Repayment of borrowings $	Non-cash borrowing costs $	Total $
Balance at 1 July 2018	7,325,724	(1,500,000)	17,330	5,843,054
Loans received	3,540,012	(3,557,047)	3,369	(13,666)
Balance at 30 June 2019	10,865,736	(5,057,047)	20,699	5,829,388
Loans received	530,626	(6,360,639)	625	(5,829,388)
Balance at 30 June 2020	11,396,362	(11,417,686)	21,324	-

Note 31. Capital management

KeyInvest Ltd is a public company, limited by shares and guarantee. No shares have been issued. The guarantee acts as both the means of membership of KeyInvest Ltd and the means of limiting the members' liability. Recent amendments to the Corporations Act 2001 allow mutual entities to issue Mutual Capital Instruments (MCIs). Following adoption of a new constitution on 23 June 2020 KeyInvest became an MCI Mutual which allows it to issue MCIs. At the date of this report, there are no MCIs on issue and the consolidated entity's capital base is comprised entirely of retained earnings.

Management effectively manages the consolidated entity's capital within the APRA Prudential Standard - Capital Adequacy LPS 110 which became effective 1 January 2013. The Standard requires the Board to ensure that the consolidated entity maintains an adequate level and quality of capital commensurate with the scale, nature and complexity of its business and risk profile, such that it is able to meet its obligations under a wide range of circumstances.

Management controls the capital of the consolidated entity in order to ensure that the consolidated entity can fund its operations and continue as a going concern. There have been no significant changes in the strategy adopted by Management to control the capital of the consolidated entity since the prior year.

Measurement of Capital Base and Capital Adequacy as per APRA Prudential Standard - Capital Adequacy LPS 110

			2020 $			
Fund	Net Assets	Member Balances and Unallocated Surpluses	Deductions from Capital Base	Capital Base All Tier 1 (a)	Prescribed Capital Requirement (b)	Capital Surplus
Management Fund	27,666,113	-	(1,201,564)	26,464,555	10,000,000	16,464,555
Supersaver Bond Fund	21,580,581	(21,580,581)	-	-	-	-
Life Events Bond Funds	53,838,261	(53,838,261)	-	-	-	-
Pre-Arranged Funeral Fund	23,314,354	(23,314,354)	-	-	-	-
KeyInvest Funeral Bond	123,620,639	(123,620,639)	-	-	-	-
Income Security Fund	1,793,870	(1,793,870)	-	-	-	-
KeyInvest Funeral Fund Unitised	1,457,171	(1,457,171)	-	-	-	-

At 30 June 2020 the Management Fund Capital Adequacy Multiple (%) (a)/(b) is 265%.

Note 31. Capital management (continued)

Fund	Net Assets	Member Balances and Unallocated Surpluses	Deductions from Capital Base	Capital Base All Tier 1 (a)	Prescribed Capital Amount (b)	Capital Surplus
	2019 $					
Management Fund	29,315,976	-	(944,389)	28,371,589	(17,240,044)	11,131,545
Supersaver Bond Fund	23,775,767	(23,775,767)	-	-	-	-
Life Events Bond Funds	38,254,942	(38,254,942)	-	-	-	-
Pre-Arranged Funeral Fund	26,106,005	(26,106,005)	-	-	-	-
KeyInvest Funeral Bond	124,081,421	(124,081,421)	-	-	-	-
Income Security Fund	1,941,218	(1,941,218)	-	-	-	-

At 30 June 2019 the Management Fund Capital Adequacy Multiple (%) (a)/(b) was 165%.

Note 32. Life investment contracts

Policyholder assets and liabilities 2020	Supersaver Bond Fund $	Life Events Bond Funds $	Pre-Arranged Funeral Fund $	KeyInvest Funeral Fund $	Income Security Fund $	KeyInvest Funeral Fund Unitised $	Total Life Investment Contracts $
Cash and cash equivalents	1,161,730	752,181	1,391,727	1,599,636	153,238	23,754	**5,082,266**
Financial assets	20,321,464	52,593,053	21,688,095	121,708,029	1,635,000	1,421,230	**219,366,871**
Loans and advances	6,720	-	-	-	-	-	**6,720**
Receivables	90,667	654	121,155	312,974	4,764	-	**530,214**
Current tax benefit	-	-	113,377	-	868	-	**114,245**
Deferred tax assets	-	492,373	-	-	-	12,187	**504,560**
Total assets	**21,580,581**	**53,838,261**	**23,314,354**	**123,620,639**	**1,793,870**	**1,457,171**	**225,604,876**
Payables	40,930	15,049	223,855	125,309	5,249	847	**411,239**
Current tax liability	60,382	595,587	-	100,829	-	12,606	**769,404**
Deferred tax liability	24,413	184,194	8,586	131,982	-	-	**349,175**
Policyholder liabilities	20,935,636	53,043,431	22,915,098	122,963,905	1,764,277	1,443,718	**223,066,065**
Unallocated policyholder benefits	519,220	-	166,815	298,614	24,344	-	**1,008,993**
Total liabilities	21,580,581	53,838,261	23,314,354	123,620,639	1,793,870	1,457,171	**225,604,876**
Net assets	-	-	-	-	-	-	-

Note 32. Life investment contracts (continued)

Solvency requirements for the life investment contracts were met at all times during the financial year. As at 30 June 2020 the life investment contracts had investment assets in excess of policyholder liabilities of $1,008,993 (2019: $2,006,013).

Policyholder income and expenses 2020	**Supersaver Bond Fund $**	**Live Events Bond Funds $**	**Pre-Arranged Funeral Fund $**	**KeyInvest Funeral Fund $**	**Income Security Fund $**	**KeyInvest Funeral Fund Unitised $**	**Total Life Investment Contracts $**
Investment income	382,663	(788,393)	401,090	2,134,188	29,521	4,330	**2,163,399**
Investment expenses	(44,367)	-	(83,255)	(236,913)	-	-	**(364,535)**
Management fees	(392,127)	(140,727)	(428,278)	(1,998,270)	(32,811)	(2,375)	**(2,994,588)**
Allocated to policyholders	-	562,716	(296,936)	(446,372)	-	(1,536)	**(182,128)**
Profit (loss) before tax	(53,831)	(366,404)	(407,379)	(547,367)	(3,290)	419	**(1,377,852)**
Income tax benefit (expense)	(43,309)	366,404	119,409	(62,119)	868	(419)	**380,834**
Profit (loss) after tax	(97,140)	-	(287,970)	(609,486)	(2,422)	-	**(997,018)**
Transfer from (to) other funds	-	-	-	-	-	-	-
Unallocated policyholder benefits at beginning of the year	616,360	-	454,785	908,100	26,766	-	**2,006,011**
Unallocated policyholder benefits at end of the year	**519,220**	**-**	**166,815**	**298,614**	**24,344**	**-**	**1,008,993**
Movement of policyholder liabilities 2020							
Value of policyholder liabilities at beginning of the year	23,028,188	37,271,049	25,387,273	122,596,951	1,909,058	-	**210,192,519**
Deposits	209,798	20,498,636	22,301	6,440,142	960	1,449,844	**28,621,681**
Allocation to policyholders	-	(562,716)	296,936	446,372	-	1,536	**182,128**
Withdrawals	(2,302,350)	(4,163,538)	(2,791,412)	(6,519,560)	(145,741)	(7,662)	**(15,930,263)**
Transfer from (to) other funds	-	-	-	-	-	-	-
Value of policyholder liabilities at end of the year	**20,935,636**	**53,043,431**	**22,915,098**	**122,963,905**	**1,764,277**	**1,443,718**	**223,066,065**
Policyholder liabilities and unallocated benefits	**21,454,856**	**53,043,431**	**23,081,913**	**123,262,519**	**1,788,621**	**1,443,718**	**224,075,058**

Note 32. Life investment contracts (continued)

Policyholder assets and liabilities 2019	Supersaver Bond Fund $	Life Events Bond Funds $	Pre-Arranged Funeral Fund $	KeyInvest Funeral Fund $	Income Security Fund $	Total Life Investment Contracts $
Cash and cash equivalents	1,290,852	590,931	2,071,699	2,003,118	162,267	**6,118,867**
Financial assets	22,403,198	37,656,979	23,678,788	121,631,433	1,764,000	**207,134,398**
Loans and advances	6,720	-	-	-	-	**6,720**
Receivables	74,997	1,391	156,833	446,870	8,649	**688,740**
Current tax benefit	-	-	198,685	-	6,302	**204,987**
Deferred tax assets	-	5,641	-	-	-	**5,641**
Total assets	**23,775,767**	**38,254,942**	**26,106,005**	**124,081,421**	**1,941,218**	**214,159,353**
Payables	(5,573)	10,957	249,329	178,877	5,393	**438,983**
Current tax liability	95,304	313,483	-	226,801	-	**635,588**
Deferred tax liability	41,487	659,453	14,618	170,692	-	**886,250**
Policyholder liabilities	23,028,188	37,271,049	25,387,273	122,596,951	1,909,058	**210,192,519**
Unallocated policyholder benefits	616,361	-	454,785	908,100	26,767	**2,006,013**
Total liabilities	23,775,767	38,254,942	26,106,005	124,081,421	1,941,218	**214,159,353**
Net assets	-	-	-	-	-	-

Solvency requirements for the life investment contracts were met at all times during the financial year. As at 30 June 2019 the life investment contracts had investment assets in excess of policyholder liabilities of $2,006,013 (2018: $1,569,492.

Policyholder income and expenses 2019	Supersaver Bond Fund $	Life Events Bond Funds $	Pre-Arranged Funeral Fund $	KeyInvest Funeral Fund $	Income Security Fund $	Total Life Investment Contracts $
Investment income	678,080	2,938,830	719,312	3,233,856	49,182	**7,619,260**
Investment expenses	(48,251)	-	(74,904)	(226,291)	-	**(349,446)**
Management fees	(437,162)	(141,084)	(477,778)	(1,959,746)	(37,645)	**(3,053,415)**
Allocated to policyholders	(67,514)	(2,039,189)	(320,349)	(171,594)	(31,298)	**(2,629,944)**
Profit (loss) before tax	125,153	758,557	(153,719)	876,225	(19,761)	**1,586,455**
Income tax benefit (expense)	(125,289)	(758,557)	91,593	(363,983)	6,302	**(1,149,934)**
Profit (loss) after tax	(136)	-	(62,126)	512,242	(13,459)	**436,521**
Transfer from (to) other funds	-	-	-	-	-	**-**
Unallocated policyholder benefits at beginning of the year	616,497	-	516,911	395,858	40,226	**1,569,492**
Unallocated policyholder benefits at end of the year	**616,361**	**-**	**454,785**	**908,100**	**26,767**	**2,006,013**
Movement of policyholder liabilities 2019						
Value of policyholder liabilities at beginning of the year	26,419,129	29,012,806	27,991,529	117,468,637	2,575,973	**203,468,074**
Deposits	212,148	8,171,428	7,765	11,092,959	960	**19,485,260**
Allocation to policyholders	67,514	2,039,189	320,349	171,594	31,298	**2,629,944**
Withdrawals	(3,670,603)	(1,952,374)	(2,932,370)	(6,136,239)	(699,173)	**(15,390,759)**
Transfer from (to) other funds	-	-	-	-	-	-
Value of policyholder liabilities at end of the year	**23,028,188**	**37,271,049**	**25,387,273**	**122,596,951**	**1,909,058**	**210,192,519**
Policyholder liabilities and unallocated benefits	**23,644,549**	**37,271,049**	**25,842,058**	**123,505,051**	**1,935,825**	**212,198,532**

DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the consolidated Financial Statements of KeyInvest Ltd and its controlled entities are in accordance with the Corporations Act 2001, including:

    (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2020 and of its performance, as represented by the results of its operations and cash flows for the year ended on that date; and

    (ii) complying with the Australian Accounting Standards and the Corporations Regulations 2001, and

(b) there are reasonable grounds to believe that KeyInvest Ltd will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board of Directors.

Dr Roger N Sexton AM
Chairman

Date: 28 September 2020

Nexia Edwards Marshall

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KEYINVEST LTD

Opinion

We have audited the financial report of KeyInvest Ltd ('the company'), which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year and the annual financial report of the following Benefit Funds:

- Supersaver Bond Fund
- KeyInvest Funeral Bond
- Income Security Fund
- Life Events Bond
- Pre-Arranged Funeral Fund

In our opinion:

(a) the financial report of KeyInvest Ltd is in accordance with the *Corporations Act 2001;* including:
  (i) giving a true and fair view of KeyInvest Ltd's and the consolidated entity's financial positions as at 30 June 2020 and of their financial performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

In our opinion:

(a) the financial report of the company and its Benefit Funds are in accordance with the *Life Insurance Act 1995*;
(b) the records of the company and Benefit Funds on which the financial report are based record properly the affairs and transactions of the company and its Benefit Funds;
(c) the financial report truly represents the financial position of the company and its Benefit Funds;
(d) the apportionments made under Division 2 of Part 6 of the *Life Insurance Act 1995* have been made equitably and in accordance with generally accepted accounting principles; and
(e) no part of the assets of the Benefit Funds have been applied directly or indirectly in contravention of the provisions of Division 1 of Part 4 and Division 4 of Part 2A of the *Life Insurance Act 1995*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the company in accordance with the ethical requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information in the company's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and the *Life Insurance Act 1995*, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KEYINVEST LTD

Directors' Responsibility for the Financial Report (cont)

In preparing the financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Nexia Edwards Marshall
Chartered Accountants

Jamie Dreckow
Partner

Adelaide
South Australia

28 September 2020

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Appointed Actuary
Brett & Watson Pty Ltd ABN 65 060 568 676

Auditor
Nexia Edwards Marshall Chartered Accountants ABN 38 238 591 759

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